FISCAL NOTE

Bill #:	HB0662	**Title:**	Minimum benefit allowance for teacher retired with less than 25 service years
Primary Sponsor:	Brown, D	**Status:**	As Introduced

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	$222,802	$233,942
Revenue:		
Other	$891,206	$935,766
Net Impact on General Fund Balance:	($222,802)	($233,942)

☒ Significant Local Gov. Impact

☐ Included in the Executive Budget

☐ Dedicated Revenue Form Attached

☒ Technical Concerns

☒ Significant Long-Term Impacts

☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Teacher's Retirement System

1. This is a one-time only increase applied to retired and disabled members as well as beneficiaries currently receiving benefits if the member retired with less than 25 years of creditable service and the recipient or recipients are currently receiving less than $600.00 per month.
2. The proposal does not include any protection for current members or their beneficiaries whose benefits may be reduced in the future, due to the death of the member or contingent annuitant.
3. An employer contribution rate increase of 0.15 percent will be sufficient to maintain an amortization period for the unfunded actuarial accrued liability of 23.4 years. The cost does not include any increase in benefits for members with 25 or more years of service.
4. Annual salaries for FY 2004 and FY 2005 are estimated be $594,137,250 and $623,844,000 each year, respectively.
5. The costs are based on the assets and member data used in the July 1, 2002 actuarial valuation. They do not include any gains or losses from asset or liability experience after that date. The assumptions and methods are the same as those used in the July 1, 2002, actuarial valuation as shown in Appendix A of that report.

6. The cost of this proposal would be shared between county retirement levies (75 percent of the increase) and state general fund (25 percent of the increase).

FISCAL IMPACT:

	FY 2004 Difference	FY 2005 Difference
State Agencies		
Expenditures:		
Personal Services	$222,802	$233,942
Funding of Expenditures:		
General Fund (01)	$222,802	$233,942
Revenues:		
Other – Pension	$891,206	$935,766
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
TRS		
General Fund (01)	($222,802)	($233,942)
Other – Pension	891,206	935,766

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
School District Teachers' Retirement System employer contributions will increase 0.15 percent, from 7.47 percent to 7.62 percent. Employer costs are paid from the district retirement fund, which is funded with a county levy and state guaranteed tax base aid payments. On average, 75 percent of the cost of these increased payments will be paid with county levies, or $668,404 in FY 2004 and $701,824 in FY 2005.

LONG-RANGE IMPACTS:
If total compensation reported to TRS increases at the actuarially assumed rate of 5.0 percent per year, the increased employer contributions to TRS required under this bill will also increase each year at an annual rate of approximately 5.0 percent.

TECHNICAL NOTE:
This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA, provides that bills that have such an impact may not be introduced.